

EXHIBIT II-2
CFB711-1, FM13 ACCRUALS TO BE REVERSED IN THE NEW YEAR REPORT

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CFB711-1 9990 (DEST: A1 CTL1) ***** DEPARTMENT OF AIR QUALITY ***** ORG NUMBER: 9990
                                CALSTARS      FM13 ACCRUALS TO BE REVERSED IN THE NEW YEAR REPORT      ORG PAGE: 1
07/06/11 (20.00)*****RUN PAGE: 7

*-- TRANS ID ---* TC  M  R  FY  FM  REF-DOC-NO  VENDOR-NO/SFX  DOC-DATE  CURR-DOC-NO  INDEX  PCA  OBJ/AGCY  TRANSACTION AMOUNT
                   PRJ-NO/WP  SOURCE/AGY  AS    FUND  FS  FD  MD  SUBIDIARY  GLAN  VENDOR NAME

11070600A01000010 517          10  13          015   0001   G   00   1  2540000          OCA63837 01          10050          15,777.00

11070600A01000020 519          10  13          015   0001   G   00   1  06/30/11  OCA63837 02  1000   10050          6,320.00

                                TRANSACTION TOTAL:                2          22,097.00

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PREPARE STANDARD YEAR-END ADJUSTING ENTRIES

The standard adjusting entries required at year-end are illustrated in the State Administrative Manual (SAM) Sections 10600-10615. They are designated as A-1 through A-13 entries.

NOTE: All year-end adjusting entries are entered in FM 13.

ENTRY A-1: Record Undeposited Receipts

The A-1 entry adjusts the department's GL 1110-General Cash and GL 1120-Agency Trust Fund Cash accounts to accurately reflect the amount deposited in the department's accounts with the State Treasurer. The A-1 entry is required for cash received but not deposited by June 30, including warrants issued by the SCO dated June 30 or earlier. The A-1 entry does **not** apply to warrants issued to repay the Office Revolving Fund (ORF). Enter the appropriate TC to post the cash receipt in addition to the following:

To adjust GL 1110-General Cash for Undeposited Revenue, Abatements or Reimbursement Receipts and other nominal GL accounts:

TC 535-A-1 Adj Gen Cash for Undeposited Receipts (with Source)

Dr. 1190 Cash on Hand

Cr. 1110 General Cash

This TC must be coded with a PCA or AS and a Source. Use this TC to record undeposited receipts when the original cash receipt required a PCA or AS and Source.

To adjust GL 1110-General Cash for Undeposited Advance Collections, Liabilities for Deposit and Uncleared Collection Receipts:

TC 536-A-1 Adj Gen Cash for Undeposited Receipts (without Source)

Dr. 1190 Cash on Hand

Cr. 1110 General Cash

To adjust GL 1120-Agency Trust Fund Cash:

TC 529-A-1 Adj Agy Cash for Undeposited Receipts

Dr. 1190 Cash on Hand

Cr. 1120 Agency Trust Fund Cash

A-1 entries are reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-2: Adjust Revolving Fund Cash Account

The A-2 entry records the department's ORF cash balance as of June 30 into the advancing fund. During the fiscal year, all ORF activities are recorded in the Office Revolving Fund (Fund 0998). At year-end, all of these activities must be transferred to the fund that advanced the cash to the Office Revolving Fund. The full amount of the ORF is carried in the advancing fund general ledger during the year as

GL 1130-Revolving Fund Cash or GL 1400-Due from Office Revolving Fund (Subsidiary 14000998). As part of the A-2 entry, several transactions are posted to reflect all ORF account activities in the advancing fund(s) as of June 30. The A-2 adjusting entries must be posted using the Appropriation Symbol for the ORF advance (Account Type 97).

Several A-2 entries are common to all departments. Other entries are dependent upon:

- ✿ Whether CALSTARS ORF (Fund 0998) and a Clearing Account are used.
- ✿ Whether the Clearing Account and the Revolving Fund advance are in the same fund.

NOTE: Any entries that result in an error message due to an abnormal document balance can be posted by entering **W** in the Err Ovr field on the financial transaction input screen, Command **C.3** fund control override procedures (**44, W**), or by changing position '3' (DF BAL-PY13) in the fund-related error severity segment of the OC Table to **W**. (The table entry must be in the same FFY as the transaction.)

A-2 Entries Common to All Departments

Make these entries in the fund that **advanced** cash to ORF, if applicable.

TC 521 - A-2 Record Year-end Expense Advances ^{1/}
 Dr. 1710 Expense Advance
 Cr. 1130 Revolving Fund Cash

TC 525 - A-2 Record Year-end Deferred Charges ^{2/}
 Dr. 2600 Deferred Charges
 Cr. 1130 Revolving Fund Cash

TC 528 - A-2 Record ORF Cash Shortages
 Dr. 1316 Accounts Receivable Cash Shortages
 Cr. 1130 Revolving Fund Cash

TC 531 - A-2 Record Year-end ORF Cash on Hand ^{3/}
 Dr. 1190 Cash on Hand
 Cr. 1130 Revolving Fund Cash

TC 534 - A-2 Record Amount Advanced to Bank for Bank Draft Account
 Dr. 1160 Cash in Agency Accounts-Bank/Savings and Loans
 Cr. 1130 Revolving Fund Cash

^{1/} Combine unreimbursed advances for GLs 1710, 1712 and 1714 that have not been accrued via the A-8 entry. For the unreimbursed advances accrued as expenditures via the A-8 entry, use TC 527.

^{2/} GL 2600 do not reflect on the DB1/DB2 reports. Therefore, the SCO/CALSTARS Reconciliation for the Category 97-Revolving Fund Advance appropriation will be off by the amount of the TC 525 entry.

- ^{3/} Include SCO warrants issued June 30 or prior to reimburse the ORF that have not yet been received or deposited.

After completing the **common entries** (prior page), select an option:

OPTION TABLES FOR A-2 ENTRIES

DEPARTMENTS USING A CLEARING ACCOUNT		
Use CALSTARS ORF Fund 0998?	Clearing Account and Revolving Fund Advance in the same Fund?	Use Common Entries (above) and Option #:
No	Yes	1
Yes	Yes	2
No	No	3
Yes	No	4

DEPARTMENTS WITH NO CLEARING ACCOUNT	
Use CALSTARS ORF, Fund 0998?	Use Common Entries (previous page) and Option #:
No	1
Yes	2

OPTION #1

Make these entries as applicable in the fund that **advanced** cash to ORF in addition to the A-2 entries common to all departments.

TC 524 - A-2 Record Year-End ORF Reimbursement Claim Schedules (filed and not paid) ^{4/}

Dr. 3020 Claims Filed

Cr. 1130 Revolving Fund Cash

TC 527 - A-2 Reduce Accounts Payable by Amounts Previously Paid by Revolving Fund ^{5/ 6/}

Dr. 3010 Accounts Payable

Cr. 1130 Revolving Fund Cash

^{4/} Does not include claims paid by the SCO as of June 30. These amounts are recorded in the A-2 entry with TC 531 (See A-2 Entries Common To All Departments)

^{5/} Debit balances in GL 3010 display as "Reclass Accts Payable/Enc" on the DB1 Report.

^{6/} TC 527 is posted in lieu of TC 521 (See A-2 Entries Common To All Departments) for the amount of any unreimbursed ORF advances that are accrued as expenditures via the A-8 entry.

OPTION #2

Make these entries as applicable in the fund that **advanced** cash to ORF in addition to the A-2 entries common to all departments.

TC 520 - A-2 Record Year-End Revolving Fund Cash ^{7/}
Dr. 1130 Revolving Fund Cash
Cr. 1400 Due from Other Funds

TC 524 - A-2 Record Year-End ORF Reimbursement Claim Schedules (filed and not paid) ^{4/}
Dr. 3020 Claims Filed
Cr. 1130 Revolving Fund Cash

TC 527 - A-2 Reduce Accounts Payable by Amounts Previously Paid by Revolving Fund ^{5/ 6/}
Dr. 3010 Accounts Payable
Cr. 1130 Revolving Fund Cash

OPTION #3

Make these entries as applicable in the fund containing the Clearing Account. This assumes the Clearing Account contains claim schedules reimbursing ORF and A-8 entries accruing unreimbursed ORF advances.

TC 524 - A-2 Record Year-End ORF Reimbursement Claim Schedules (filed and not paid) ^{4/}
Dr. 3020 Claims Filed
Cr. 1130 Revolving Fund Cash

TC 527 - A-2 Reduce Accounts Payable by Amount Previously Paid by Revolving Fund ^{5/ 6/}
Dr. 3010 Accounts Payable
Cr. 1130 Revolving Fund Cash

TC 526 - A-2 Record Year-End ORF Accounts Payable as Due to Other Funds
(The amount for this entry should be the total amount of the TC 524 and TC 527 entries above.)
Dr. 1130 Revolving Fund Cash
Cr. 3110 Due To Other Funds or Appropriations

^{4/} Does not include claims paid by the SCO as of June 30.

^{5/} Debit balances in GL 3010 display as "Reclass Accts Payable/Enc" on the DB1 Report.

^{6/} TC 527 is posted for the same amount as the unreimbursed ORF advances accrued as expenditures via the A-8 entry.

^{7/} TC 520 is not reversed in the new year--use TC 508 in the new year.

TC 508 – Re-establish ORF Advance in Current Year Appropriation
Dr. 1400 Due from Other Funds or Appropriations
Cr. 1130 Revolving Fund Cash

Make this entry in the fund that **advanced** cash to ORF in addition to the A-2 entries common to all departments.

TC 539 - A-2 Record Amount Advanced to Other Funds by Revolving Fund (The amount of this entry should be the same amount as the TC 526 entry to the Clearing Account above.)
Dr. 1400 Due from Other Funds or Appropriations
Cr. 1130 Revolving Fund Cash

OPTION #4

Make these entries as applicable in the fund containing the **Clearing Account**. This assumes the Clearing Account contains claims schedules reimbursing ORF and A-8 entries accruing unreimbursed ORF advances.

TC 524 - A-2 Record Year-End ORF Reimbursement Claim Schedules (filed and not paid)^{4/}
Dr. 3020 Claims Filed
Cr. 1130 Revolving Fund Cash

TC 527 - A-2 Reduce Accounts Payable by Amount Previously Paid by Revolving Fund^{5/ 6/}
Dr. 3010 Accounts Payable
Cr. 1130 Revolving Fund Cash

TC 526 - A-2 Record Year-End ORF Accounts Payable as Due to Other Funds (The amount for this entry should be the total amount of the TC 524 and TC 527 entries above.)
Dr. 1130 Revolving Fund Cash
Cr. 3110 Due To Other Funds or Appropriations

^{4/} Does not include claims paid by the SCO as of June 30.

^{5/} Debit balances in GL 3010 display as "Reclass Accts Payable/Enc" on the DB1 Report.

^{6/} TC 527 is posted for the same amount as the unreimbursed ORF advances accrued as expenditures via the A-8 entry.

Make this entry in the fund that **advanced** cash to ORF in addition to the A-2 entries common to all departments.

TC 520 - A-2 Record Year-End Revolving Fund Cash^{7/}
Dr. 1130 Revolving Fund Cash
Cr. 1400 Due From Other Funds

TC 539 - A-2 Record Amount Advanced to Other Funds by Revolving Fund (The amount of this entry should be the same amount as the TC 526 entry to the Clearing Account above.)

Dr. 1400 Due from Other Funds or Appropriations
Cr. 1130 Revolving Fund Cash

^{z/} TC 520 is not reversed in the new year--use TC 508 in the new year.

All A-2 entries (**except** TC 520 used in option #2 and #4 discussed previously) are reversed in the new year. Auto-reverse batches are recommended for A-2 entries.

NOTE: The A-2 entries, when entered with the ORF AS, will display an Account Type of 97 Revolving Fund with the following SCO Account Types on separate, nonconsecutive pages in the heading area of the DB1 and HB4 Reports:

- ★ D Disbursements (Expenditures)
- ★ E Disbursements (Advances).

Exhibit II-4 shows how the ORF General Ledger may look at year end. Note that the amount in the Due to Other Funds account represents the total ORF accountability. This amount is offset by a Due From Other Funds amount in the General Fund (advancing fund) General Ledger. The Revolving Fund reconciliation for the ORF General Ledger shown in Exhibit II-4 is illustrated on the first page of Exhibit II-5. Exhibit II-6 contains the A-2 entries that would be made based on this ORF example.

EXHIBIT II-5
OFFICE REVOLVING FUND RECONCILIATION

DEPARTMENT OF AIR QUALITY (9990)
REVOLVING FUND RECONCILIATION
As of June 30, 2011

Cash:

Cash Book Balance	26,364.03	
Cash in sub-revolving funds, undeposited receipts, and undeposited warrants for reimbursement of revolving fund	<u>50.00</u>	
Sub-Total		26,414.03

Advances:

Expense advances	60,817.72	
Travel advances (listing attached)	433.00	
Salary advances (listing attached)	830.00	
Less: Advances reduced by amount accrued (A-8 entries)	<u>(54,817.62)</u>	
Sub-Total		7,263.10

Revolving fund Expenditures not scheduled for reimbursement by June 30 (Accrued via A-8 as expenditures in advancing fund)		54,817.62
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Vouchers pending reimbursement by SCO warrant (including vouchers scheduled but not paid-listing attached)		<u>11,505.25</u>
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Amount of revolving fund withdrawn from appropriation		<u>100,000.00</u>
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P. Did Good
Prepared by

W. R. Dunne
Reviewed by

EXHIBIT II-6
A-2 ENTRIES BASED ON REVOLVING FUND RECONCILIATION

G01 REPORT or MANUAL LEDGERS	PER REVOLVING FUND RECONCILIATION	COMMON ENTRIES TC & AMOUNT	OPTION #2 ENTRIES TC AND AMOUNT
1130 Revolving Fund Cash	Cash Book Balance		
1190 Cash on Hand	Cash in Sub-Revolving Funds (Petty Cash), Undeposited Receipts, etc.	(A) \$50.00 TC 531 Dr. 1190 Cr. 1130	
1400 Due From Other Funds	Vouchers Pending Reimbursement (Claims Filed)		(B) \$11,505.25 TC 524 Dr. 3020 Cr. 1130
1710 Expense Advance 1712 Travel Advance 1714 Salary Advance	Expense Advances Travel Advances Salary Advances	(C) \$7,263.10 TC 521 Dr. 1710 Cr. 1130	
3010 Accounts Payable	Expenditure not scheduled for reimbursement by 6/30/XX but accrued via A-8 entry.		(D) \$54,817.62 TC 527 Dr. 3010 Cr. 1130
3110 Due To Other Funds	Amount of ORF Withdrawn From Appropriation		(E) \$100,000.00 TC 520 Dr. 1130 Cr. 1400

GL 1130-ORF CASH			
(E)	100,000.00	50.00	(A)
		11,505.25	(B)
		7,263.10	(C)
		54,817.62	(D)
	26,364.03 (Cash Book Balance)		

This exhibit does not include any warrants issued by SCO on June 30 or prior for payment of ORF reimbursement claims, but not received and/or deposited by the department as of June 30. If applicable, adjustment needs to be made for the A-2 entry as follows:

- 1) **SCO warrants issued by June 30 for ORF reimbursement but not received or deposited.**

Increase the Cash on Hand included in TC 531 entry by the SCO warrant(s) amount.
Decrease the vouchers pending reimbursement included in TC 524 entry by the same amount.

ENTRY A-3: Reimbursement and Abatement Accrual

The A-3 entry records reimbursements and abatements due to the department but not yet recorded in CALSTARS. These entries are normally made in CALSTARS throughout the year as invoices are prepared. Any amounts due to the department at year-end, but not yet recorded, should be accrued using A-3 entries. The transaction codes used to record accruals are the same that are used during the year to establish receivables as abatements or reimbursements.

TC 122-Record Billing of Accounts Receivable-Reimbursements²
 Dr. 1312 Accounts Receivable-Reimbursements
 Cr. 8100 Reimbursements

TC 123-Record Billing of Accounts Receivable-Abatements^{1/}
 Dr. 1311 Accounts Receivable-Abatements
 Cr. 9000 Expenditures

TC 129-Record Amount Due From Other Governments as Reimbursements²
 Dr. 1500 Due From Other Governments
 Cr. 8100 Reimbursements

TC 130-Record Amount Due From Other Governments as Abatements^{1/}
 Dr. 1500 Due From Other Governments
 Cr. 9000 Expenditures

TC 174-Record Amount Due From Other Funds as Reimbursements²
 Dr. 1400 Due From Other Funds or Appropriations
 Cr. 8100 Reimbursements

TC 175-Record Amount Due From Other Funds-Abatements^{1/}
 Dr. 1400 Due From Other Funds or Appropriations
 Cr. 9000 Expenditures

A-3 entries **not supported by invoices** should be reversed in the new FY and re-entered as invoices are prepared. Auto reverse batches are recommended for entries not supported by invoices.

NOTE: For TCs 129, 130, 174, and 175, establish a separate Current Document Number with a unique suffix when the Subsidiary changes.

Departments should prepare separate entries to accrue reimbursement receivables resulting from encumbrances. These entries may be useful in identifying the encumbrance amounts to be reported on Report 1, Report of Accruals to Controller's Accounts.

These entries typically are not supported by invoices and should be reversed in the new year.

^{1/} Abatements require both an Object Detail and a Source. Transactions are made in the Clearing Account if the original expenditure was made in the Clearing Account.

^{2/} Reimbursements accruals are posted after Cost Allocation/Fund Split for FM13 is run.

If reimbursements from another fund or appropriation have been over-collected and the amount of the over-collection will be refunded to the fund or appropriation after June 30, accrue the amount with the following entry:

TC 553-Accrue Reimbursement Refund Due From Other Funds/Appns
Dr. 8100 Reimbursements
Cr. 3110 Due To Other Funds or Appropriations

TC 553 is reversed in the new year. Auto-reverse batches are recommended.

ENTRY A-4: Reclassify Items for Reverted Appropriations

"Accounts Receivable" and "Due Froms" for **abatements** and **reimbursements** that are not cleared by June 30 must be reclassified to GL 1600-Provision for Deferred Receivables. CALSTARS provides an automated process (CFY022-Documents File Reclassification/Liquidation Process) to assist departments to identify and reclassify documents within reverting appropriations. For reverting appropriations that were correctly identified in the AS Table when the CFY022 transactions were generated in early May, the A-4 entry would already be posted. CFY022-Documents File Reclassification/Liquidation Process is discussed in Chapter 1 of the Volume and in SAM Section 10603. However, if reverting appropriations were improperly identified in the AS Table, the A-4 entry must be manually posted. These receivables may be identified by reviewing the D06 Report, Document Report by Appropriation.

Departments should use the following entries to record A-4 adjusting entries for receivables that CALSTARS did not reclassify. For each receivable, two transactions must be posted.

First transaction:

TC 576-A-4 Establish AR Other
Dr. 1319 Accounts Receivables-Other
Cr. 1600 Provision for Deferred Receivables

OR

TC 577 – Establish Negative A/R
Dr. 1600 Provision for Deferred Receivables
Cr. 1319 Accounts Receivable Other

NOTE: TC 576 is for positive amounts and must be used with one of the following TCs listed below. For negative amounts, use TC 577. TCs used in conjunction with TC 577 must use Reverse code **R**. Both TC 576 and TC 577 should be recorded at the fund level only.

Second transaction (one of the following):

TC 555-A-4 Reclass A/R Abatement-Reverted Appn
Dr. 9000 Expenditures
Cr. 1311 Accounts Receivable-Abatements

- TC 556-A-4 Reclass A/R Reimbursement-Reverted Appn
Dr. 8100 Reimbursements
Cr. 1312 Accounts Receivable-Reimbursements
- TC 572-A-4 Reclass Abate Due From Other Funds-Reverted Appn
Dr. 9000 Expenditures
Cr. 1400 Due from Other Funds or Appropriations
- TC 573-A-4 Reclass Reimb Due from Other Funds-Reverted Appn
Dr. 8100 Reimbursements
Cr. 1400 Due from Other Funds or Appropriation
- TC 574-A-4 Reclass Abate Due from Other Govts-Reverted Appn
Dr. 9000 Expenditures
Cr. 1500 Due From Other Governments
- TC 575-A-4 Reclass Reimb Due from Other Govts-Reverted Appn
Dr. 8100 Reimbursements
Cr. 1500 Due From Other Governments

Refer to Chapter I, Preparation Activities, section *Reclassify/Liquidate Reverting Appropriation Document File Balances*, for procedures on cash collections.

A-4 entries are **NOT** reversed in the new year.

ENTRY A-5: Accrue Interest Earnings on Investments

The A-5 entry accrues interest earnings on investments to reflect the appropriate adjustments to accrued interest purchased, premiums, and discounts. Source **215n00** is used to identify investment interest earned, where **n** identifies the type of interest (per the UCM).

- TC 121-Record Billing of Accounts Receivable-Operating Revenue
Dr. 1314 Accounts Receivable-Operating Revenue
Cr. 8000 Revenue
- TC 548-A-5 Record Amortization of Discount on Securities
Dr. 2014 Discount on Securities
Cr. 8000 Revenue
- TC 549-A-5 Record Amortization of Premium on Securities
Dr. 8000 Revenue
Cr. 2013 Premium on Securities
- TC 550-A-5 Record Amortization of Accrued Interest Purchased
Dr. 8000 Revenue
Cr. 1320 Accrued Interest Receivable

A-5 entries are **NOT** reversed in the new year.

Federal Trust Fund Encumbrances

Departments with federal grants may need to encumber accruals in lieu of preparing the A-8 entry for federal expenditures. If accruals are encumbered, they will not show as expenditures on CALSTARS reports used for the monthly Plan of Financial Adjustment (PFA). This will help ensure that expenditures are not overstated when completing the PFA for a federal drawdown. Use Document Number/Suffix

A8nnnnnnn-nn for these encumbrances. The encumbrances are shown as GL 3010 in the Pre-closing and Post-closing Trial Balances on the G02 Report. In order to reflect the correct general ledger liability accounts in CALSTARS, i.e., GLs 3110, 3210, 3220, or 3290, the encumbrances must be reclassified to the correct account using TC 517 or TC 519. Refer to the *Reclassify Encumbrances Reported As Accounts Payable* section in Chapter V for further instructions.

NOTE: The H11 Report for FM 13 reflects accrued expenditures, including Capital Outlay and equipment purchases, at the time the accruals are posted, not when actual payment is made. This may impact the reconciliation of property records.

A-8 adjusting entries are **NOT** reversed in the new year, **except** for estimated accruals entries.

EXHIBIT II-7
A-8 ENTRY TRANSACTION CODES

Vendor Description	Vendor Type	General Ledger Liability Account DR 9000 CRXXXX	Account Title	Previous Status	Transaction Codes						
					Set Up	Payment			Adjustments		
						Auto	Manual	SCO Pay	Incr- ease	Decrease Payable Balance	Correct Overpay- ment of Accrual
Corporation (includes Non-profit Foundation) Individual/Sole Proprietor Partnership Estate or Trust Employee	C I P E 1	3010	Accounts Payable	Previously Encumbered	214 ^{1/}	233	246	248	215	205	498
				Not Previously Encumbered	215 ^{2/}	233	246	248	215	205	498
Federal Agency	2	3210	Due to Federal Gov't	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283
CA State Departments (includes CSU & CSU Trustees)	3	3110	Due to Other Funds	Previously Encumbered	209 ^{1/}	261	203	262	285	204	285
				Not Previously Encumbered	285	261	203	262	285	204	285
Local Government Agencies (Includes Cities and Counties)	4	3220	Due to Local Gov'ts	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283
Other Governmental Agencies (Includes School Districts, Community Colleges, Regents/UCs and Other State Govts)	5	3290	Due to Other Gov'ts	Previously Encumbered	208 ^{1/}	268	284	263	283	201	283
				Not Previously Encumbered	283	268	284	263	283	201	283

^{1/}Do not include these transactions in auto reverse batches.

^{2/}Use TC215 to accrue Travel Expense Claims, including CALATERS Travel Expense Claims.